

ATTORNEY GENERAL GREG ABBOTT,
ON BEHALF OF THE PUBLIC INTEREST
IN CHARITY,

Plaintiff

v.

DOCTORS MEMORIAL HOSPITAL, INC,
DOCTORS MEMORIAL HOSPITAL
FOUNDATION, OLIE CLEM, individually
and in his representative capacity, DR.
DAVID NORRIS, individually and in his
representative capacity, DR. NORMAN
TRUITT, individually and in his
representative
capacity, and LISA BLAINE, individually
and in her representative
capacity

Defendants

IN THE PROBATE COURT

NUMBER ONE OF

TRAVIS COUNTY, TEXAS

Interlocutory
AGREED JUDGMENT

On this day, came before this Court, Attorney General Greg Abbott, ("Attorney General"), on behalf of the public interest in charity, Doctors Memorial Hospital, Inc. ("DMH"), Doctors Memorial Hospital Foundation ("DMH Foundation"), Olie Clem, individually and in his capacity as a director of DMH and the DMH Foundation and Chief Executive Officer ("CEO") of DMH, Dr. David Norris, individually and in his representative capacity as a director of DMH and the DMH Foundation, Dr. Norman Truitt, individually and in his representative capacity as a director of DMH, and Lisa Blaine, individually and in her representative capacity as a managerial agent and/or the Chief Operations Officer ("COO") of DMH and director of the DMH Foundation. The Parties announced to the Court that all matters of controversy between them in this suit have been fully compromised and settled, and presented to the Court this Agreed Judgment.

I, Dana DeBeauvoir, County Clerk, Travis County, Texas, do hereby certify that this is a true and correct copy as same appears of record in my office. Witness my hand and seal of office on



Dana DeBeauvoir, County Clerk
By Deputy: *[Signature]*

AUG 05 2010

O. RUIZ

FILED FOR RECORD
2010 AUG -5 AM 10:55
DANA DEBEAUVOIR
COUNTY CLERK
TRAVIS COUNTY, TEXAS

1.0 STIPULATIONS

The parties, by the duly authorized representatives' signatures, stipulate to the following.

- 1.1 The Parties understand and agree to the terms of this Agreed Judgment.
- 1.2 The terms of this Agreed Judgment are sufficiently detailed and specific to be enforceable by the Court.
- 1.3 Individual Defendants have full and actual notice of the terms of this Agreed Judgment.
- 1.4 Individual Defendants have received copies of this Agreed Judgment.
- 1.5 The Court shall have continuing jurisdiction to enforce this Agreed Judgment.
- 1.6 This Agreed Judgment represents a compromise and settlement of all matters arising out of facts alleged by the Attorney General in this cause.
- 1.7 Venue is proper in this suit pursuant to Texas Property (Trust) Code §123.
- 1.8 The Attorney General filed suit against Defendants on March 13, 2009, later amending his petition on April 1, 2010. The Attorney General's suit alleged that breaches of fiduciary duty and gross negligence by individual Defendants Clem, Blaine, Norris and Truitt, resulted in damages to the public's interest in charity through the payment and acceptance of unreasonable compensation that reduced the amount of assets that would have otherwise been distributed to nonprofit organizations providing health care in the Tyler area.
- 1.9 Bona fide disputes and controversies exist between the Parties, both as to fact and extent of liability, if any, and as to the fact and extent of damages, if any, and by reason of such disputes and controversies, the Parties desire to settle all claims and causes of action whatsoever which the Plaintiff, acting on behalf of the public interest in charity, may have against the Defendants.

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Furthermore, the Defendants denied and continue to deny the Attorney General's allegations, but in the interest of avoiding the time, expense, and uncertainty of litigation, desire to settle and compromise their disputes and differences regarding the Attorney General's allegations through this Agreed Judgment. It is understood that any damages paid by way of this Judgment shall not be construed or interpreted as an admission of liability by or on behalf of any of the Defendants, all such liability being expressly denied.

1.10 The Parties stipulate that the remaining assets of DMH are in the control of Temporary Receiver, J. Scott Killough.

2.0 DEFINITIONS

2.1 "Individual Defendants" means Olie Clem, Lisa Blaine, Dr. David Norris, and Dr. Norman Truitt, in their individual and representative capacities..

2.2 "The Attorney General" means Attorney General Gregg Abbott, acting on behalf of the public interest in charity.

2.3 "Temporary Receiver" refers to Mr. J. Scott Killough, attorney at law.

2.4 The Parties refers to the Attorney General, Doctors Memorial Hospital, Inc., Doctors Memorial Hospital Foundation, Olie Clem, Lisa Blaine, Dr. David Norris, Dr. Norman Truitt, and the Temporary Receiver.

3.0 TERMS

3.1 **IT IS THEREFORE ORDERED, ADJUDGED AND DECREED** that, as agreed by the parties:

I, Dana DeBeauvoir, County Clerk, Travis County, Texas, do hereby certify that this is a true and correct copy as same appears of record in my office. Witness my hand and seal of office on



Dana DeBeauvoir, County Clerk
By Deputy:

A handwritten signature in dark ink, appearing to read "O. Ruiz".

AUG 05 2010

O. RUIZ

3.2 Within thirty days of the entry of this Agreed Judgment, Individual Defendants Olie Clem and Lisa Blaine shall pay by cashier's check, in full satisfaction of claims alleged in this case, the total amount of SIX HUNDRED AND SEVENTY FIVE THOUSAND DOLLARS (\$675,000.00) for damages to the public interest in charity. Such cashier's check shall be delivered, within thirty days of the entry of this Agreed Judgment, to Temporary Receiver, who shall distribute the funds as provided in paragraph 3.4 below. In addition to the above sum, Individual Defendants Olie Clem and Lisa Blaine shall pay by cashier's check, within thirty days of the entry of this Agreed Judgment, the total sum of SEVENTY FIVE THOUSAND DOLLARS (\$75,0000) for the Attorney's fees, costs of investigation, and court costs of the Attorney General, by making payment directly to the Attorney General by hand delivery to the following address: Attorney General's Consumer Protection and Public Health Division, Charitable Trusts Section, Attention Assistant Attorney General Robert Blech, 300 W. 15th, 9th Floor, Austin, Texas 78701. Individual Defendants agree to bear the costs of their own attorney's fees and court costs.

3.3 Individual Defendants Olie Clem, Lisa Blaine, and Dr. David Norris agree to cooperate with the Temporary Receiver and, if necessary, join with the Temporary Receiver in the execution and filing of a Certificate of Termination for Doctors Memorial Hospital, Inc., in accordance with Texas Business Organizations Code §11.101, by executing said Certification of Termination at such time as requested by the Temporary Receiver. The Temporary Receiver shall file said Certificate of Termination with the Secretary of State no later than three days (3) after its execution. Individual Defendants Olie Clem, Lisa Blaine, and Dr. David Norris further agree to execute a and file a Certificate of Termination for Doctors Memorial Hospital Foundation in accordance with Texas Business Organizations Code §11.101 within thirty days of the entry of this Agreed Judgment.

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3.4 Temporary Receiver, after payment of his fees incurred as Temporary Receiver, and payment of any debts owed by Doctors Memorial Hospital, Inc., a nonprofit corporation, shall distribute the remaining assets of Doctors Memorial Hospital, Inc., and the amount of \$675,000 paid by Defendants Olie Clem and Lisa Blaine, to an appropriate nonprofit entity(ies) providing health care in the Smith County area, upon approval by the Court of a joint motion filed by the Attorney General and the Temporary Receiver recommending a suitable nonprofit recipient(s) and in accordance with the further Orders of this Court.

3.5 The Temporary Receiver, on behalf of the Doctors Memorial Hospital, Inc., shall file a Certificate of Termination for Doctors Memorial Hospital, Inc. in accordance with Texas Business Organization Code §11.101, once all of its debts have been paid and its assets distributed.

3.6 Individual Defendants agree that they shall not serve in a management position, nor serve as a board member or officer of any nonprofit organization in the State of Texas for ten (10) years following the entry of this Agreed Judgment. Management position means any position with a nonprofit corporation in which Individual Defendants would be responsible for hiring, establishing salaries for, planning, directing, and supervising, the work of a group of individuals. This provision does not include a physician's supervision of health care professionals providing medical care at his direction.

3.7 Individual Defendants, through this Agreed Judgment, waive any and all right to seek indemnification from Doctors Memorial Hospital, Inc., Doctors Memorial Hospital Foundation, Temporary Receiver J. Scott Killough, or the Attorney General, pursuant to the Texas Business Organizations Code, common law, or through any other legal authority.

4.0 Releases

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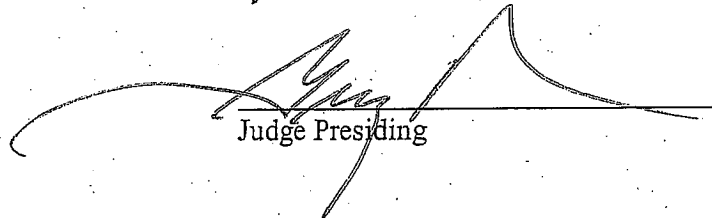
4.1 Each of the parties hereto agrees to release all other parties from any and all possible liability related to any claims or causes of actions that were brought or could have been brought in this proceeding concerning any and all facts related hereto.

5.0 Miscellaneous

5.1 This Agreed Judgment is interlocutory. The Court reserves for later trial all other remaining issues in this action until such time as this Court has issued an order certifying that the Temporary Receiver has fulfilled his duties; that the Temporary Receiver is discharged; that the sureties on the Temporary Receiver's bond are discharged from further liability thereunder; and that the Temporary Receivership is terminated. The parties agree not to appeal this Agreed Final Judgment.

5.2 It is further ordered, agreed and understood that all other relief not expressly granted herein is DENIED.

Signed on this 5th day of August, 2010.


Judge Presiding

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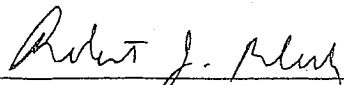
By Deputy



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PAUL D. CARMONA,
Chief Consumer Protection and Public Health Division



ROBERT J. BLECH

Bar # 00790320

Charitable Trusts Section - MC 010

Consumer Protection & Public Health Division

Office of the Attorney General

P.O. Box 12548

Austin, Texas 78711-2548

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Attorney General Greg Abbott, on Behalf of the Public Interest in Charity

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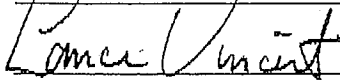
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AGREED AS TO FORM AND SUBSTANCE:

Lance Vincent

Bar # 20585580

RITCHESON, LAUFFER, VINCENT & DUKES

821 ESE Loop 323, Suite 530

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Attorney for Mr. Olie Clem and Ms. Lisa Blaine

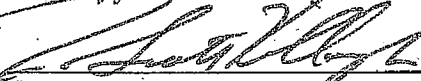
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Temporary Receiver for Doctors Memorial Hospital, Inc.

Blake Armstrong

Bar # 24006767

BIRDSONG & ARMSTRONG

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*Attorney for Doctors Memorial Hospital, Inc., and
Doctors Memorial Hospital Foundation, Inc.*

GREG ABBOTT

Attorney General of Texas

C. ANDREW WEBER

First Assistant Attorney General

DAVID S. MORALES

Deputy Attorney General for Litigation

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